

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**J.L. SHOALMIRE OPERATING
COMPANY, INC.**

AI# 47970

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

*

*

*** ENFORCEMENT TRACKING NO.**

*** WE-CN-03-0321**

*

*

*

*

*

*

SETTLEMENT

The following Settlement is hereby agreed to between J.L. Shoalmire Operating Company, Inc. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a company who owns and operates an oil and gas production facility known as the Latham No. 4 Wellsite, located off La. Hwy. 171, south of Converse, Sabine Parish, Louisiana ("the Facility").

II

On November 23, 2004, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. WE-CN-03-0321, to Respondent which was based upon the following findings of fact:

The Respondent does not have a Louisiana Pollutant Discharge Elimination System (LPDES) permit or any other authority to discharge wastewater and/or other substances to waters of the state.

An inspection conducted by the Department on or about March 5, 2003, in response to a citizen's complaint, revealed that the Respondent was discharging contaminated stormwater from within the firewall. Samples taken from within the firewall and at the discharge point revealed chloride values of 1,420 ppm and 3,460 ppm, respectively. The unauthorized discharge of contaminated stormwater runoff is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.708.C.4.c, LAC 33:IX.708.C.4.d, and LAC33:IX.1701.B. During a telephone conversation with a company representative, the inspector was informed that discharges had occurred from inside the firewall. The inspector was further informed that testing of the wastewater was not being conducted and the company could not produce records of offsite disposal of the wastewater.

Further inspection by the Department on or about March 5, 2003, disclosed that Respondent had failed to implement an adequate Spill Prevention and Control (SPC) plan. Specifically, the Respondent allowed the secondary containment around the tank battery to fill with contaminated stormwater, thereby compromising its ability to prevent unauthorized discharges. The failure to implement an adequate Spill Prevention Control Plan is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.708.C.1.b.i, LAC 33:IX.708.C.1.iv, and LAC33:IX.905.A.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of ONE THOUSAND FOUR HUNDRED and NO/100 DOLLARS (\$1400.00) of which Two Hundred and No/100 Dollars (\$200.00) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement.

V

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order and Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

IX

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

X

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

**J.L. SHOALMIRE OPERATING
COMPANY, INC.**

BY: _____
(Signature)

(Printed or Typed)

TITLE: _____

THUS DONE AND SIGNED in duplicate original before me this _____ day of
_____, 20 _____, at _____.

NOTARY PUBLIC (ID# _____)

(Printed or Typed)

STATE OF LOUISIANA

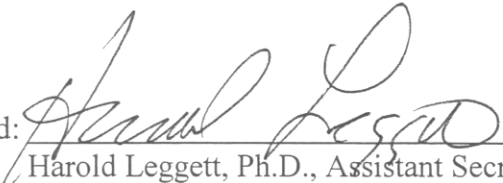
Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

BY: _____
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this _____ day of
_____, 20 _____, at Baton Rouge, Louisiana.

NOTARY PUBLIC (ID# _____)

(Printed or Typed)

Approved:  _____
Harold Leggett, Ph.D., Assistant Secretary